

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

Mattel, Inc.

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CONCILIATION AGREEMENT

This matter was initiated by a Complaint filed with the Federal Election Commission ("the Commission") by Mattel, Inc. (hereinafter referred to as "Mattel"). See 2 U.S.C. §§ 437g(a)(1). In the Complaint, Mattel voluntarily disclosed that it had discovered that a former senior executive had caused Mattel to reimburse various individuals for federal political contributions. Based on the facts voluntarily disclosed by Mattel and other available information, the Commission found reason to believe Mattel violated 2 U.S.C. §§ 441b(a) and 441f.

NOW, THEREFORE, the Commission and Mattel, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over Mattel and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Mattel has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Mattel enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Mattel is a Delaware corporation with headquarters in El Segundo, California.

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2. Fermin Cuza is a former Senior Vice President of Mattel who was in charge of Mattel's International Trade and Worldwide Government Affairs, supervised the Consumer Affairs Department, and oversaw Mattel's Customs department. He held this position from June 1997 to March 2001.

3. Alan Schwartz is the sole proprietor of AMS Consulting Services, LLC aka Asset Management Systems (hereinafter referred to as "AMS"), which has its office in Torrance, California.

4. Beginning in 1996, Mattel made payments to AMS for various consulting services and for other purposes.

5. 2 U.S.C. § 441f prohibits: (1) making a contribution in the name of another; (2) knowingly permitting one's name to be used to effect such a contribution; and (3) knowingly accepting such a contribution. In addition, no person may knowingly help or assist any person in making a contribution in the name of another. 2 U.S.C. § 441f; 11 C.F.R. § 110.4(b)(1)(iii). This prohibition also applies to any person who provides the money to others to effect contributions in their names. 11 C.F.R. § 110.4(b)(2).

6. Corporations are prohibited from making contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. 2 U.S.C. § 441b(a). Section 441b(a) also makes it unlawful for any candidate, political committee, or other person knowingly to accept or receive a contribution prohibited by section 441b(a).

7. Acting at Mr. Cuza's direction, Mr. Schwartz, via AMS, submitted two types of invoices for payment by Mattel. The first type were monthly invoices for his consulting services, which were submitted directly to Mattel, and paid directly by Mattel. Invoices of the

second type were submitted to Mattel and forwarded for payment by Laxmi, a California corporation that provides a bill-paying service for Mattel. With regard to invoices submitted by AMS to Laxmi, in most instances, Mr. Cuza would approve the AMS invoices and then forward them to Laxmi. Laxmi would then pay AMS, and in turn seek reimbursement from Mattel through an automatic payment system. There is no evidence that any senior executive at Mattel other than Mr. Cuza knew that additional payments were being made to AMS via Laxmi.

8. Between 1996 and 2000, in violation of Mattel's campaign contribution, financial, and/or ethical policies, Mr. Cuza directed Mattel's reimbursement of \$120,714 in reimbursed contributions made to federal political committees by Mr. Cuza, Mrs. Ines Cuza, the Cuzas' daughter Tammy Orozco, the Cuzas' son-in-law Frank Orozco, Jacqueline Balestra, John Balestra, Sheryl Green, Gloria Zwinak, Katherine Walker, Frank Gomez, Mr. Schwartz, Ella Schwartz and Kathleen Wilcox, formerly known as Kathleen Schwartz. The reimbursements were made through payments from Mattel to AMS that were conveyed through Laxmi. Mr. Schwartz and/or AMS would remit to Mr. Cuza the reimbursements for those contributions made by Mr. and Mrs. Cuza, and Mr. and Mrs. Orozco. Mr. Schwartz and/or AMS would remit reimbursements directly to the other individuals named above for federal political contributions. The reimbursements of political contributions were made in violation of Mattel's internal policies and procedures and there is evidence that Mr. Cuza concealed these payments from his superiors at Mattel. There is no evidence that any senior Mattel executive other than Mr. Cuza, or any candidate receiving contributions, knew or understood that the additional payments to AMS were for the purpose of reimbursing political contributions or that Mattel was the ultimate source of monies used to make political contributions.

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9. At Mr. Cuza's direction, Mattel reimbursed the following \$29,064 in contributions that were made in the name of Fermin Cuza to federal political committees:

04/11/1997	Gephardt in Congress Committee	\$1,500
05/09/1997	Toricelli for U.S. Senate, Inc.	\$1,000
06/23/1997	Menendez for Congress	\$2,000
09/23/1997	Becerra for Congress	\$1,000
11/26/1997	Committee to Re-Elect Loretta Sanchez	\$1,000
12/01/1997	Effective Government Committee	\$1,500
12/03/1997	Gephardt in Congress	\$500
12/17/1997	Friends of Barbara Boxer	\$1,000
12/22/1997	Friends of Lois Capps	\$500
01/13/1998	Friends of Barbara Boxer	\$1,000
03/16/1998	Bob Filner for Congress	\$1,000
05/02/1998	Lincoln Diaz-Balart for Congress	\$2,000
07/31/1998	Leadership '98	\$2,500
09/09/1998	Hahn for Congress	\$500
10/13/1998	Committee to Re-Elect Loretta Sanchez	\$500
10/21/1998	Ros-Lehtinen for Congress	\$564
10/26/1998	Leadership of Today and Tomorrow	\$5,000
10/30/1998	Hahn for Congress	\$500
02/10/1999	Gore 2000, Inc.	\$1,000
06/30/1999	Gore/Lieberman GELAC Fund	\$1,000
11/21/1999	Becerra for Congress	\$1,000
12/22/1999	Solis for Congress	\$250
03/07/2000	Friends of Jane Harman	\$1,000
03/07/2000	Friends of Jane Harman	\$1,000
03/30/2000	Kuykendall Congressional Committee	\$250

10. At Mr. Cuza's direction, Mattel reimbursed the following \$10,000 in contributions that were made in the name of Ines Cuza to federal political committees:

04/11/1997	Gephardt in Congress	\$1,500
09/23/1997	Becerra for Congress	\$1,000
05/02/1998	Lincoln Diaz-Balart for Congress	\$2,000
05/19/1998	Committee to Re-Elect Loretta Sanchez	\$2,000
10/30/1998	Hahn for Congress	\$ 500
06/30/1999	Gore/Lieberman GELAC Fund	\$1,000
03/07/2000	Friends of Jane Harman	\$1,000
03/07/2000	Friends of Jane Harman	\$1,000

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11. At Mr. Cuza's direction, Mattel reimbursed the following \$57,650 in contributions that were made in the name of Alan Schwartz to federal political committees:

06/05/1996	Gephardt in Congress	\$500
10/03/1996	New Democratic Majority	\$2,000
04/01/1997	Gephardt in Congress	\$1,500
04/21/1997	Friends of Jane Harman	\$2,000
06/13/1997	Menendez for Congress	\$1,000
08/14/1997	Becerra for Congress	\$2,000
11/14/1997	Sanchez for Congress	\$1,000
11/17/1997	Gephardt in Congress	\$500
12/04/1997	Friends of Lois Capps	\$1,000
12/09/1997	Committee to Reelect Loretta Sanchez	\$500
12/11/1997	Friends of Barbara Boxer	\$1,000
01/19/1998	Juanita Millender McDonald	\$500
02/18/1998	Shelley Berkeley for Congress	\$1,000
02/18/1998	Friends of Lois Capps	\$250
02/18/1998	Boxer for Senate	\$150
02/25/1998	Boswell for Congress	\$500
03/04/1998	Committee to Reelect Loretta Sanchez	\$500
04/23/1998	Sherman for Congress	\$1,000
04/23/1998	Casso for Congress	\$1,000
04/23/1998	Barry Gordon for Congress	\$1,000
04/28/1998	Committee to Reelect Loretta Sanchez	\$2,000
05/01/1998	Diaz-Balart for Congress	\$2,000
06/19/1998	Effective Government Committee	\$1,000
07/28/1998	Leadership '98	\$1,000
08/14/1998	Friends of Barbara Boxer	\$250
09/01/1998	Barry Gordon for Congress	\$250
10/14/1998	Effective Government Committee	\$2,500
02/10/1999	Gore 2000 Inc.	\$1,000
02/17/1999	Feinstein 2000	\$1,000
04/06/1999	Schiff for Congress	\$500
04/09/1999	Effective Government Committee	\$2,500
06/30/1999	Democratic Congressional Campaign	\$5,000
09/28/1999	Schiff for Congress	\$500
10/06/1999	Schiff for Congress	\$1,000
11/23/1999	Democratic Leader's Victory Fund	\$2000
11/23/1999	Gephardt in Congress	\$1,000
12/22/1999	Solis for Congress	\$250
01/25/2000	Friends of Jane Harman	\$1,000
01/25/2000	Friends of Jane Harman	\$1,000
06/09/2000	Effective Government Committee	\$5,000
08/28/2000	DNC Services Corp/Dem. Nat'l Comm.	\$5,000
08/30/2000	DNC Services Corp/ Dem. Nat'l Comm.	\$2,000

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11/13/2000 Lincoln Diaz-Balart for Congress \$1,000

12. At Mr. Cuza's direction, Mattel reimbursed the following \$2,000 in contributions that were made in the name of Tammy Orozco to federal political committees:

06/30/1997	Friends of Jane Harman	\$1,000
06/30/1997	Friends of Jane Harman	\$1,000

13. At Mr. Cuza's direction, Mattel reimbursed the following \$2,000 in contributions that were made in the name of Frank Orozco to federal political committees:

06/30/1997	Friends of Jane Harman	\$1,000
06/30/1997	Friends of Jane Harman	\$1,000

14. At Mr. Cuza's direction, Mattel reimbursed the following \$5,000 in political contributions that were made in the name of John Balestra to federal political committees:

07/01/1996	Friends of Jane Harman	\$1,000
03/03/2000	Friends of Jane Harman	\$1,000
03/03/2000	Friends of Jane Harman	\$1,000
10/23/2000	DNC Services Corporation	\$2,000

15. At Mr. Cuza's direction, Mattel reimbursed the following \$2,000 in political contributions that were made in the name of Jacqueline Balestra to federal political committees:

03/03/2000	Friends of Jane Harman	\$1,000
03/03/2000	Friends of Jane Harman	\$1,000

16. At Mr. Cuza's direction, Mattel reimbursed the following \$1,000 in political contributions that were made in the name of Sheryl Green to federal political committees:

06/30/1999	Gore 2000 Inc.	\$1,000
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17. At Mr. Cuza's direction, Mattel reimbursed the following \$2,000 in political contributions that were made in the name of Gloria Zwinak to federal political committees:

03/03/2000	Friends of Jane Harman	\$1,000
03/03/2000	Friends of Jane Harman	\$1,000

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18. At Mr. Cuza's direction, Mattel reimbursed the following \$2,000 in political contributions that were made in the name of Katherine Walker to federal political committees:

03/03/2000	Friends of Jane Harman	\$1,000
03/03/2000	Friends of Jane Harman	\$1,000

19. At Mr. Cuza's direction, Mattel reimbursed the following \$500 in political contributions that were made in the name of Frank Gomez to federal political committees:

05/02/1998	Lincoln Diaz-Balart for Congress	\$500
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20. At Mr. Cuza's direction, Mattel reimbursed the following \$3,000 in political contributions that were made in the name of Ella Schwartz to federal political committees:

12/03/1997	Gephardt in Congress	\$1,000
05/06/1998	Committee to Re-Elect Loretta Sanchez	\$1,000
05/06/1998	Committee to Re-Elect Loretta Sanchez	\$1,000

21. At Mr. Cuza's direction, Mattel reimbursed the following \$4,500 in political contributions that Kathleen Wilcox (formerly Kathleen Schwartz) made to federal political committees:

07/12/1996	Friends of Jane Harman	\$1,000
04/11/1997	Gephardt for Congress	\$1,000
04/11/1997	Gephardt for Congress	\$500
05/12/1997	Friends of Jane Harman	\$1,000
05/12/1997	Friends of Jane Harman	\$1,000

22. There is no evidence that any Mattel senior manager other than Mr. Cuza knew or approved of the aforementioned federal political contributions. Mattel senior management first learned of the reimbursement scheme in late January 2001. At that time, Mattel immediately commenced an internal investigation which gave rise to the voluntary

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disclosure made in March 2001. Mattel has cooperated with the Commission and has produced documents requested by the Commission as part of the Commission's investigation.

V. Mattel violated 2 U.S.C. §§ 441b(a) and 441f by making prohibited corporate contributions and by making contributions in the name of another.

VI. Mattel will pay a civil penalty to the Federal Election Commission in the amount of ninety-four thousand dollars (\$94,000), pursuant to 2 U.S.C. § 437g(a)(5)(BA). Mattel will cease and desist from violating 2 U.S.C. §§ 441b(a) and 441f. Further, Mattel will waive its right to a refund of all political contributions from the recipient committees and will instruct each recipient to disgorge all illegal contributions referenced in this agreement, that have not been previously refunded or disgorged, to the U.S. Treasury.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Mattel shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral,

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made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence H. Norton
General Counsel

12/3/02
Date

BY: Rhonda J. Vosdigh
Rhonda J. Vosdigh
Associate General Counsel

FOR THE RESPONDENT:

Date

BY: Robert Normile
Robert Normile
Sr. Vice-President & General Counsel
Mattel, Inc.

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COUNSEL

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